

JAL Group Announces FY2007-2010 Medium Term Revival Plan

- Strengthening safety, focusing on customers, rebuilding the business foundation and realizing stable profits-

Tokyo, February 6, 2007: The JAL Group today announced the medium-term corporate business plan for the four years FY2007 to March 2011, emphasizing the pursuit of safety and the customers' standpoint, rebuilding the group's business foundation, and realizing continuous stable profits.

While securing high levels of safety that are the foundation of the company, JAL will carry out business restructuring through aircraft downsizing and shifting to high profit routes. JAL will strengthen product competitiveness through for example, the introduction of First Class on domestic flights, and Premium Economy Class on international flights. Thereby the airline will make maximum opportunity of the business changes that will result from the internationalization and expansion of Tokyo's Haneda Airport from and after FY2009, and increase of airport slot capacity at Narita. JAL will also implement large scale cost reductions through personnel reductions and other measures and concentrate resources to the core air transport business segment in order to achieve sustainable growth.

The JAL Group will consolidate efforts to maintain flight safety on a daily basis, and provide safety and comfort to customers in order to regain the trust of all stakeholders.

The Medium Term Corporate Plan focuses on the following 5 points

1. Further improvement of safety standards

While continuing to realize the recommendations of the Safety Advisory Group, an external panel of advisors, we will strengthen the safety management system and the measures taken for Human Factor monitoring in order to maintain and improve high quality flight operations and aircraft.

2. Improving profitability through cost reductions

JAL plans a bold review of the work process to increase workforce productivity by 10% and reduce the 53,100 employees on a consolidated basis at the end of FY2006 to 48,800 employees by the end of FY2009, a reduction of 4,300 persons (including reduction of 3,500 employees through increase of productivity by 10%).

While maintaining the 10% reduction of basic salaries introduced in April 2006, the Group will implement a special early retirement program revise retirement benefit-related systems, implement a bold review of allowances and bonuses and take other large scale personnel cost reduction measures.

JAL aims to shrink Group personnel costs from and after FY2007 by 50 billion yen compared with FY2006. (excluding temporary cost reduction effects due to changes in the pension system in FY2006)

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3. Downsizing through aircraft renewal and strengthening aircraft competitiveness.

We will proactively introduce highly economical medium and small size aircraft types, and retire old aircraft and by doing so improve revenue and increase aircraft competitiveness.

The ratio of large aircraft in the fleet will decrease from 29% in FY2006 to 21% in FY2010. When only looking at aircraft used for international operations, the reduction will be from 58% in FY2006 to 39% in FY2010.

4. Shift to high profit routes and strengthen overall product competitiveness

JAL will respond to the internationalization and expansion of Tokyo's Haneda Airport and the increase in slots at Narita, and concentrate resources on high-growth high-profit routes. The Group will expand operations of JALways, JAL Express, J-AIR and other subsidiaries, to build a more efficient Group operating system.

JAL will accurately monitor customers' needs and wants, and improve products and services of quality from the customers' standpoint, and strengthen the sales force to increase competitiveness.

- Revenue improvement as a result of shift to high profit routes (FY2007)

International Passenger 7.0 billion yen, Domestic Passenger 6.0 billion yen

- Revenue improvement as a result of product competitiveness improvement measures (annual)

International Premium Economy Class 4.0 billion yen, Domestic First Class 4.0 billion yen

- Scale of operations by JALways, JAL Express, J-AIR

JALways and JAL Express international flight operations: FY2006 24% >> FY2010 37%

JAL Express and J-AIR domestic flight operations: FY2006 15% >> FY2010 26%

5. Concentrate resources to air transport segment

JAL will concentrate associated business resources on air transport business, and will increase the quality and value of affiliated businesses through partnerships with other companies.

Operating Income/ Ordinary Income Targets

(Unit: billion yen)

	FY07	FY08	FY09	FY10
Operating revenue	2200	2230	2247	2298
Operating income	35	45	60	88
Ordinary income	21	16	23	58
Net income	7	6	11	37

Forecast based on the assumption: Exchange rate: 1 US\$ = ¥120 yen

Fuel per barrel (Singapore kerosene hedge): 75US\$ per barrel.

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Details of JAL Group Cost Reduction Measures

The business environment of the JAL Group - facing fierce competition and high fuel prices -, is changing by the minute. It is of urgent necessity not only to rely on increased revenue through the introduction of, for example, more competitive products and services, but also to speedily expand cost reduction. We will decisively implement cost reduction, including personnel cost reduction of 50 billion yen annually, and conduct measures to realize a 14% greater efficiency in fuel usage.

When implementing cost reduction, naturally executive directors will also share the burden, and to set an example within the company, we will expand the breadth of pay reduction, including other measures already decided on, such as lowering the retirement age of executive directors.

The new range of executive director pay cuts, effective February 2007, will be in the range of 45% for senior vice presidents up to 60% for the JAL Group CEO and president Haruka Nishimatsu

Details of cost reduction measures are as follows.

1. Personnel cost reduction - reduced by 50 billion yen

JAL Group has implemented various personnel cost reduction measures since the mid-1990's ahead of other airlines, such as a reduction of regular pay increase, revision of various crew allowances, revision of the retirement benefit system, revision of the pension system and outsourcing. But the business environment has become more severe, and therefore, we will decisively implement further personnel cost reduction measures.

We will reduce personnel costs by 50 billion yen each fiscal year through a combination of the following measures.

a. Reduction of Group employees

By increasing human productivity by 10% through a bold review of work content and work process, work form, manpower allocation and restructuring of affiliated businesses, we will reduce the number of employees from 53,100 on a consolidated basis as of the end of FY2006 by about 4,300 to 48,800 by the end of FY2009.

By increasing personnel productivity by 10% we will reduce employees by 3,500 by the end of FY2009 (included in the 4,300 figure).

- Flight Operations/Cabin Attendant Divisions: improve crew operations by 10%
- Airport/Cargo Divisions: increase efficiency by 10% through simplification of work and further introduction of the Toyota Production System
- Reservation/ ticketing sections: increase efficiency by 10% through simplification of systems, system

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development, and introduction of the Toyota Production System

- Sales sections :increase personnel efficiency by 30% through unified operations within the JAL Group
- Head Office sections :JAL will continue to develop a smaller Head Office (reduce back office jobs by 10%)

b) Implement special early retirement measures and create younger organizations

c) Revise retirement benefit related systems, and reduce retirement benefit costs

d) Implement large reduction of performance-linked bonus standards

e) Continue wage cuts for all employees (10% reduction of base wage) next fiscal year, too. This cut was first introduced in April 2006

2. Measures for Fuel cost reduction - realize 14% greater efficiency (FY2006 vs FY2010)

In addition to introducing fuel efficient aircraft, we will implement the following fuel cost reduction measures and increase efficiency of fuel consumption volume in FY2010 by 14% over FY2006 estimates. On an operating expense basis in the air transport segment, we expect fuel cost reductions of about 18 billion yen in FY2009 and about 8 billion yen in FY2010 over FY2006 estimates.

a) Fuel cost reduction by renewal of fleet (new, more fuel efficient aircraft and more fleet downsizing)

- The ratio of large-size aircraft in the international fleet will go down from 58% by the end of FY2006 to 39% by the end of FY2010) (Ratio for total JAL Group fleet = 29% at end FY2006 to 21% by end of FY2010).

b) Steady measures to curb fuel costs

- increase fuel cost efficiency by reducing the weight of cabin loaded goods and equipment, engine cleaning.
- flexible and proactive hedging policy responding to fuel market price fluctuation.
- long-term procurement agreement with oil development and refinery company (AOC Holdings) through equity investment.
- Fuel Efficiency Working Group activities by flight crew, such as optimum height flight operations to obtain best consumption efficiency.

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3. Maintain/expand other cost reductions

We will reduce impact of increased aircraft expenses for new aircraft, increased maintenance costs for flight safety, increased expenses due to increased flight frequency by maintaining and expanding cost restructuring measures implemented so far.

- Review of all contracts made with companies outside the JAL Group
- Review of sales commission rates
- Review of work processes
- Promotion of e-business

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